

Pension Contribution Rates

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Background

- Basic contribution rate formula:
 - (Liability minus Assets) divided by future salary
 - Collected as a % of salary over one's working lifetime

Liability

- Present value of all future benefit payments
- Present value based on an 8% interest rate assumption
- Liability under funding method projects future salary and service amounts
- Actuarial assumptions estimate amount, timing, form and length of payments

Assets

- Based on “actuarial value” not market value
- Actuarial value smoothes the effects of short-term volatility in the market value
- The volatility will depend, in part, on the plan’s asset allocation

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- Chapter 388, Laws of 2003
- Includes Department of Fish & Wildlife law enforcement officers in LEOFF 2
- Prospective basis only (no past service)
- Current PERS members will have dual membership in PERS 2/3 and LEOFF 2
- PERS 1 members remain in PERS 1

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- We estimated that 72 PERS 2/3 members would be affected
- Average age 40 (39 in LEOFF 2)
- Average annual salary \$52,000 (\$61,000 in LEOFF 2)
- 11 years of prior PERS service (average) remains in PERS

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- \$8 million increase in plan liability (about \$111,000 per person)
- About \$269,000 in liability per person for current LEOFF 2 actives
- F&W law enforcement officers have lower salary and future service levels in LEOFF
- Results in a lower cost per person

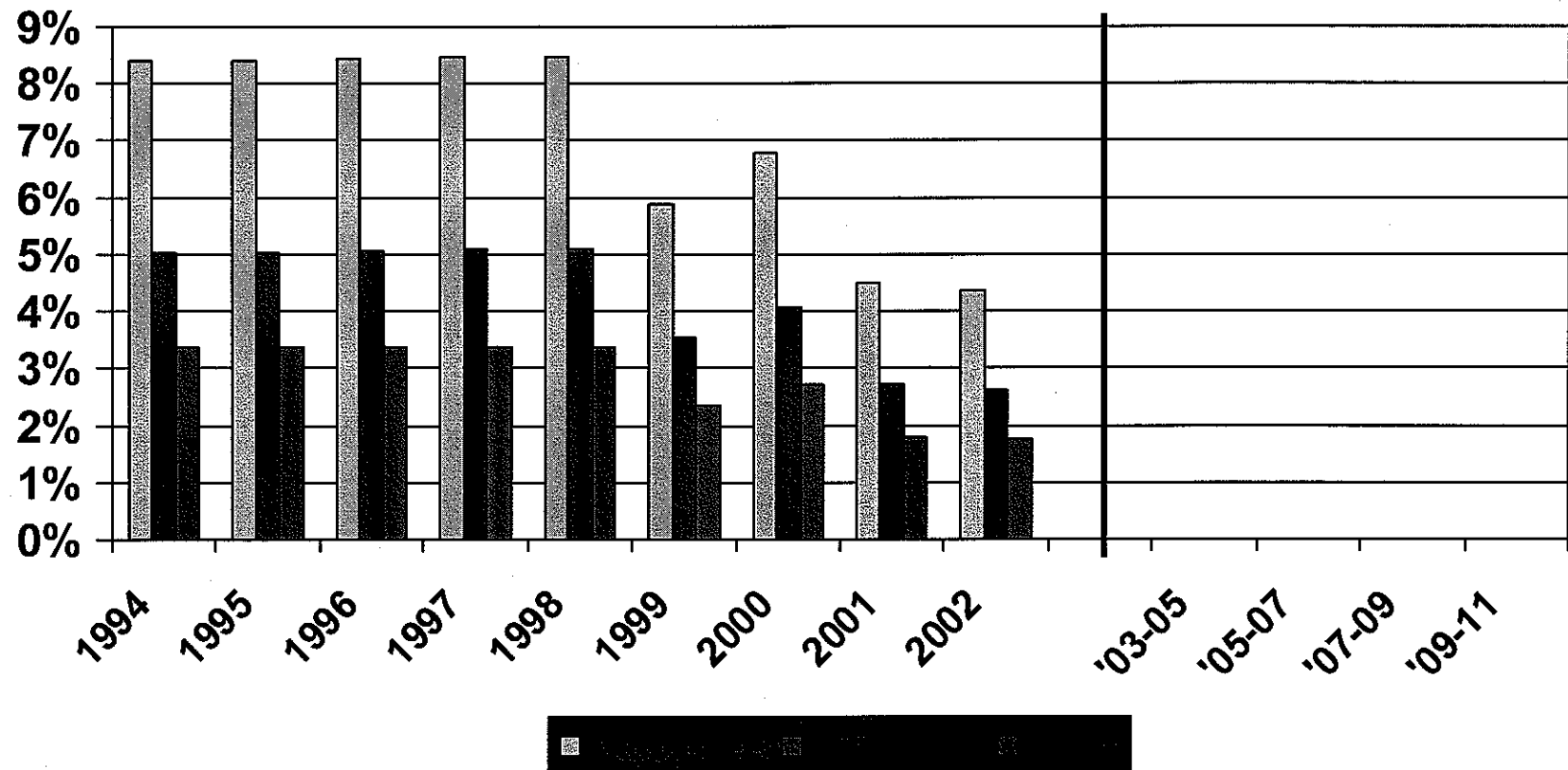
HB 1205

- Law change increases the total LEOFF 2 contribution rate by .04%
- Cost is split 50/30/20 between members, employers and the State
- Proposed supplemental rate increases:
 - .02% for active members
 - .01% for employers
 - .01% for the State

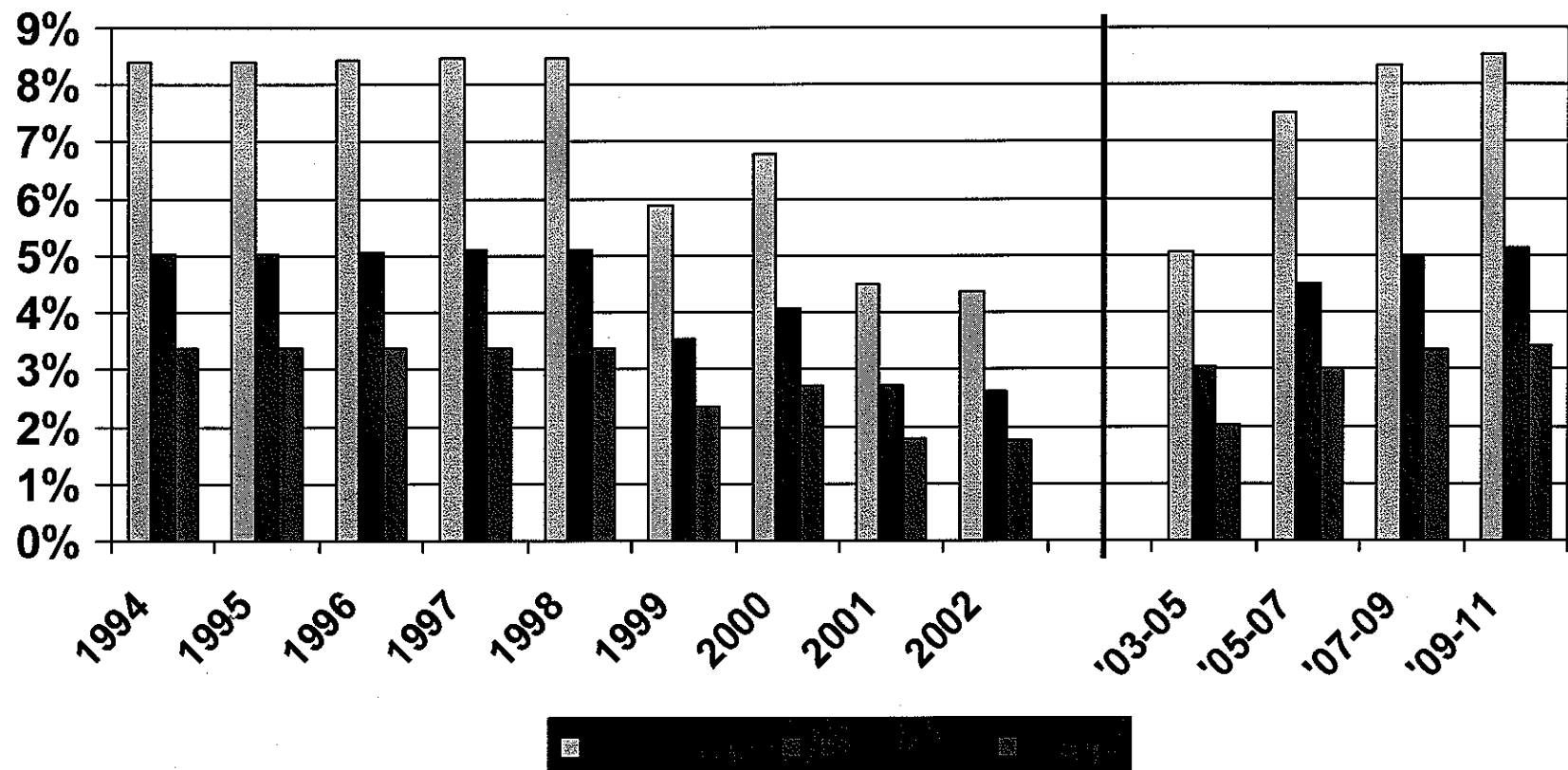
Projected Contribution Rates

- On the rise!
- 14.3% estimated rate of investment return for the plan year ending 9/30/2003
- Good news, but not enough to offset significant assets losses from 2000-2002
- Asset losses from 2000-2002 not yet fully recognized
- Estimates assume 8% ROR after 9/30/2003 (long-term assumption)

Historical LEOFF 2 Rates



Estimated LEOFF 2 Rates



End of Presentation